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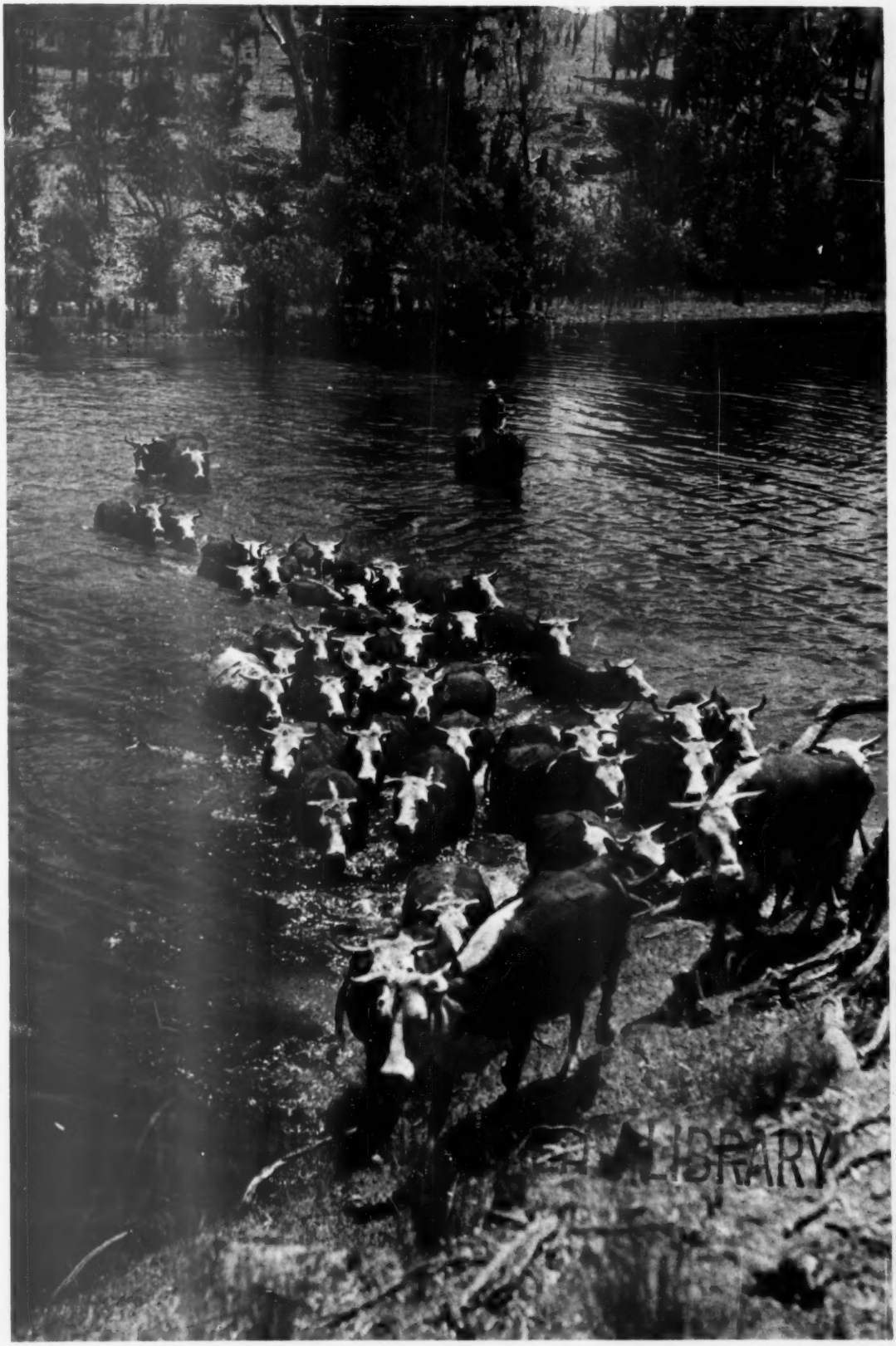

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AUSTRALIA AND DEVALUATION

PORTUGAL'S CHANGING FARMS

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE

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Cover:
Cattle ford a stream in Australia—subject of a comprehensive, 4-page report this week.

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British Devaluation a

Fred M. Lege, III, U.S. Agricultural Attache in Canberra, discusses possible effects of British devaluation on Australian trade in major products. Then, in the two succeeding pages, he looks at other aspects of Australian agriculture.

The devaluation of the British pound—along with the New Zealand dollar, the Danish krone, the Spanish peseta, and currencies of several other countries—is expected to hurt several of the agricultural industries of Australia.

Long dependent on the United Kingdom as a big market for their products, these industries not only took large initial losses upon devaluation of the pound, but also have found it much harder to sell there and in other areas where sterling is the basis of exchange. In addition to an expected lessening of demand from Britain, Australia faces being undersold by Denmark, New Zealand, and, in some cases, Spain and Ireland.

British devaluation seen causing stiffer competition for Australian meat as well as dairy products.

For meat, devaluation has given New Zealand, Ireland, and Denmark an edge in the United Kingdom over local production and imports from countries like Australia that did not devalue. New Zealand is expected to be particularly competitive in the market for lamb and mutton; Denmark could hurt the pork trade; and Ireland could cut in on the beef trade. Helping to mitigate this increased competition, however, is the British ban on meat imports from Argentina and other countries with foot-and-mouth disease.[1] With this largest of British beef suppliers out of the market, disease-free countries can be expected to benefit. In fact, there has been a diversion of supplies from other countries to meet the British requirements.

Australian meat exports to the United Kingdom normally total about US$50 million, including $33 million of beef—15

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[1] Great Britain on December 4 placed a 90-day ban on meat imports (except canned and bacon) from countries with a history of foot-and-mouth disease. The ban, coming at a time of foot-and-mouth problems in Britain, affects Argentina, Uruguay, and several other beef exporters, but not Australia, New Zealand, Denmark, or the United States.

n and Australian Trade

percent of total beef exports—and $5 million of mutton—10 percent of total sales.

Elsewhere in the world, Australia's meat industry also has problems. It fears, for instance, that New Zealand price cuts will enable that country to be extremely competitive in the Canadian market for lamb. And it is even possible that New Zealand lamb could find its way into the home market in larger volume as a duty-free item. Last year, New Zealand lamb exports to Australia totaled $190,000 with a major chain the sole importer.

Pricewise, devaluation also poses a serious threat to Australia's 55,000 dairy producers, who sell nearly $50 million—or about 38 percent—of the total value of their exports in the United Kingdom. The loss in income to this industry because of devaluation has been estimated by the Australian trade at $15.7 million, for 1967-68.

For butter, the problem is compounded by the buildup of stocks around the world and by Australia's heavy dependence on the British market, which took 61.5 percent of total Australian exports of butter last year. Even before the devaluation, competition in the United Kingdom had driven the price of butter down to 300 shillings sterling per hundredweight (112 pounds), and prospects are that the price will continue low for this product.

Australia's thriving cheese market in Japan, worth $5.6 million in 1966-67, is also threatened by competition from New Zealand and Danish cheese, as well as by the growing threat of "dumped" cheese from the EEC.

Devaluation adds to the problems of wool, also hurts wheat.

For wool, devaluation comes at a very inopportune time, since the industry has been suffering from a serious price depression for the past few years. Now, Australian wool is 14 percent more expensive to the British customer vis-a-vis New Zealand wool—especially the coarse wools which are in a tremendous surplus position.

Exports of wool to the United Kingdom have a value of $95 million, or roughly 10 percent of the $921 million total income from wool exports. However, Britain's devaluation and its corresponding austerity program could cause a decline in the value of Australia's wool market of more than 10 percent, since many of the buyers deal in sterling. Australian traders hope that this drop off in returns will be a temporary situation until prices for their product can be reestablished on the basis of the new values.

The wool industry has perhaps the strongest political arm to use on the government, boasting more producers than any other rural industry affected by the devaluation. These producers are estimated at 100,000 strong and make up the country's biggest agricultural and export industry.

Wheat, Australia's second largest export, may also experience a decline greater than the British share of the total export, estimated at 6 percent—$23.9 million—of the $405.2 million total trade during 1967-68. This will occur because credit sales already made to Mainland China and India have been fixed in terms of sterling. Future contracts, however, will be adjusted to take into account the currency change. The loss on current credit and forward wheat sales payable in sterling is estimated at $32.45 million.

Fruit sales affected—producers may press for government support; some protection for sugar.

The devaluation of the British pound will similarly jeopardize the export earnings of Australian fruit. While these items may sound small by themselves, they add up to a large export, earning $48.2 million in the United Kingdom alone. Broken down by item, fruit exports to the United Kingdom are: Preserved fruit, $28.3 million or 63 percent of total canned fruit exports; raisins and sultanas, $9.7 million or 43 percent of the total; and apples, $10.1 million or 49 percent of the total.

Canned fruit was hit immediately by the drop in value on large stocks held in the United Kingdom, and some canners had made future credit sales and were not able to hedge against devaluation. Compounding the problem has been the buildup in competitive pressure from South Africa over the past few years. Spain also figures as a competitor, and its position could strengthen now that its currency has been devalued. Even before devaluation, Spain had begun to undercut Australia in the market for canned apricots.

Early in 1967, the Australian canned fruit industry received support for market promotion overseas from an increased excise tax levied on local sales. This allowed price cutting, which brought criticism from the United States. Despite this criticism, the Australian industry is expected to press for more assistance from the government in an effort to reduce costs and to offset the effects of devaluation.

Assuming no price changes, the losses from devaluation will total $1.4 million for dried fruit during 1967-68. If this were divided among the growers—who produce, on the average, 30 tons of fruit a year—each would stand to receive a reduction in income of $515 gross for 1968.

Apple and pear growers have suffered similar problems from the devaluation and overseas competition.

Sugar exports will be the least affected by devaluation. Sales to the United Kingdom are subject to price and quota terms of the Commonwealth Sugar Agreement until the end of calendar 1968. Other 1967-68 sales involving sterling were made on forward contracts. Chief among these were substantial amounts to Japan.

On a long-term basis, the position of Australian sugar would improve if world prices rose to more nearly approximate the New York level. Australia exports about $45.5 million worth of sugar to the United Kingdom each year, or 41 percent by value of its total sugar exports.

Australia Increases Guaranteed Price of Wheat; Seeks Higher Yields of Wheat and Forage Crops

Two recent important developments in the Australian grain picture are the government's decision to increase the guaranteed wheat price and the joint venture by a U.S. and an Australian firm to develop higher yielding, hybrid varieties of wheat and a number of feed and forage crops.

The new guaranteed price for wheat from the 1967-68 crop, for domestic consumption as well as 150 million bushels to be exported, was raised to A$1.64, 9 cents above the 1966-67 guaranteed price. (One Australian dollar equals US$1.12.) According to Australia's Minister for Primary Industry, J. D. Anthony, the price was raised because of increased production, handling, storage, and transport costs as indicated in the annual cost-of-production survey made by the Bureau of Agricultural Economics and the Australian Wheat Board.

As a result of the increase, the domestic selling price of FAQ wheat for flour and to stockfeed millers using at least 6,000 bushels per 28 days is now A$1.655 per bushel, f.o.b. main ports of export. This represents the guaranteed price plus a 1-1/2 cents per bushel surcharge to meet the cost of shipping from mainland States to Tasmania.

Mr. Anthony emphasized that the increased price is in no way connected with problems arising from the recent devaluation of the pound sterling, but resulted from the normal operation of the cost-of-production formula used each season.

Nonetheless, the per bushel return to growers could be substantially higher in 1967-68 than in the previous year because of the increase. Assuming that export prices do not rise above the present guaranteed level of A$1.55, the increase would result in payment of an additional A$13.5 million in subsidies. To this must be added an additional A$6 million, the cost to consumers of the increase in the home-consumption price.

Focus on breeding programs

The joint Australian - U.S. industry project will concentrate intially on breeding programs for maize, sweet corn, popcorn, grain sorghum, and forage hybrid sudax, as well as a hybrid forage wheat suitable to Australian conditions. After facing serious shortages due to drought in the past 3 years, farmers are badly in need of forage crops that can be grown with minimum water supplies.

The American company is the largest producer of hybrid maize and sorghum in the world, while the Australian firm has extensive flour milling, bread, starch, and glucose operations throughout New South Wales. They are now constructing one of the world's most advanced plant breeding research stations at Tamworth, New South Wales, where hybrid seeds will be scientifically developed for Australian and New Zealand primary producers. This station will be equipped with the most sophisticated cereal-chemistry laboratory in the country, enabling complex and exhaustive tests from only a few grains of seed—often the import limit under local quarantine restrictions.

Huge irrigation network

Slated for completion toward the end of this year, the station also includes one of Australia's most advanced borefed irrigation systems. This sytem is based on a network of 10,000 feet of 8- and 6-inch-diameter asbestos cement pipes running underground to all points of the 188-acre property. Spray irrigation is used up to the seedling stage, after which flood irrigation from special "gated" pipes takes over to avoid spray damage to pollens needed for crossbreeding. The asbestos pipes also link five 100,000-gallon steel reservoirs to a half-million-gallon holding lagoon, as well as to a 6-million-gallon storage dam bulldozed out of the foot of a slope.

The first wheat to be produced at the research center will probably be a sterile, no-grain type for winter grazing. Based on a variety the U.S. company developed at its home station, it has been found to contain more totally digestible nutriments per acre than other winter forage. Researchers believe this wheat will be highly suitable for areas like the tablelands, the western slopes and plains, and parts of Victoria and Tasmania, where oats, grape, and turnips are usually grown for winter fodder.

Plans are also in the offing for development of hybrid millet, believed to have good potential in the Northern Territory and the Ord River area of Western Australia, and there is increasing interest in summer fodder crops, like sudax, which could supply additional carryover fodder for drought periods such as those suffered in the past 3 years.

Dairy Plant in Indonesia

The Australian Government has authorized expenditure of A$1.2 million (about US$1.34 million) for construction of a plant to produce recombined sweetened condensed milk in Indonesia, its fourth such venture in Asia. The money will come from the Dairying Industry Stabilization Fund at the request of the Australian Dairy Produce Board.

Like the other three plants—in Singapore, Manila, and Bangkok—the one in Indonesia will be financed with local as well as Australian capital. Terms of agreement between the two countries provide for use of Australian raw materials over a lengthy period of time.

According to Australia's Minister for Primary Industry, J. D. Anthony, "The plant will have an annual capacity of 1 million cases of sweetened condensed milk, which would, when in full production, require 4,500 tons of skim milk powder and 1,600 tons of butteroil a year from Australia. This would mean an f.o.b. return to Australian producers of about A$2 million (US$2.24 million) a year."

The three plants already in operation—with a combined capacity of over 3 million cases—used Australian raw materials valued at A$3 million (US$3.36 million), f.o.b., in 1966 and produced 1,750,000 cases of sweetened or unsweetened condensed milk.

Mr. Anthony explained the decision to build the plants as follows: "The Board's move . . . opens further avenues of tapping a market of tremendous potential and could open up possibilities for trade in other dairy products. It will certainly assure us of an additional outlet for our dairy products . . . .We are up against fierce competition, particularly for butter, in our traditional markets in the face of abnormally high European stockholdings and the threat of subsidized exports. The Board's action in creating firm links through the establishment of joint-venture companies provides additional outlets for skim milk powder and butteroil on a long-term basis."

The plant will use Indonesian sugar and will be known as Australia-Indonesian Dairy Industries, Ltd.

Australia's Wool Exports: Quantity Up, Value Down

Australian wool exports during July-October of last year dropped over A$24 million in value despite an increase of 19 million pounds in the quantity sold as compared with the same period of 1966.

Shipments during the 4 months totaled 451.6 million pounds against 432.5 million in July-October of the year before. However, the value of the 1966 shipments was only $204.4 million, a decline from $228.9 million.

Japan's purchases dropped from a value of $93.9 million to 76.6 million. Similarly, Italy took $6 million less than it did the year before, the United States $2.4 million less, and France $1.7 million less.

Some brightening of the wool export picture came in purchases by West Germany and Poland. The former increased its purchases by $3.3 million and the latter by $3.5 million.

Sales made since devaluation of the pound sterling show strengthening prices on Merino fleece wool, with some prices up as much as 5 percent.

Nevertheless, the President of the United Farmers' and Wool Growers' Association, C. D. Renshaw, has proposed government price payments and other support measures to wool producers to insure better returns.

His proposals include:

- A government deficiency-payment system to bring the average price of wool auctioned in Australia this season to 45 Australian cents per pound.
- A flat rebate system for income derived from wool, similar to the rebate now allowed to investors in Treasury bonds.
- Double tax deductions for money spent by growers on wool promotion.

Merinos like this one yield Australia's finest wool.

- Adjustments on taxes—like local government, probate, and death-duty ones—burdensome to the operations of primary industry.
- Low-interest seasonal financing for woolgrowers. Mr. Renshaw proposes that the price payments be based on wool type and cover all wool sold in the 1967-68 season. Even at 45 cents per pound, the season's average price would be the lowest since 1960-61. It was 47.38 cents in 1966-67 and 50.08 cents in 1965-66. The average for the 4 months July-October 1967 came to 40.91 cents and for October alone, 42.42 cents.

Treatment of Land by Air Increasing in Australia

Total agricultural land treated from the air has increased considerably in Australia since the early 1960's. In the 12-month period ending in March 1967, 15.2 million acres were top dressed, seeded, sprayed, or baited in this manner, according to the Government Statistical Bulletin issued recently. Although this is somewhat below the record 16.6 million acres treated in 1963-64, it is markedly above the 7.1 million of 1961-62, the 8.8 million of the following year, and the 12.8 million of 1963-64. Low-flying aircraft sprayed 594-913 tons of superphosphate on crops and pastures in 1966-67, and baiting of animal pests, like rabbits and dingos, was at an alltime high of 399,000 acres, compared with 227,910 acres baited in the preceding 12-month period.

Agricultural Change Catches On in Portugal

By LARRY F. THOMASSON
Foreign Agricultural Service

In Portugal, where cattle still serve mainly as draft animals and farms often are but tiny plots of land, people have begun to see the advantages of the modern way of life. The agricultural revolution that has visited so many other countries of Western Europe appears to be catching on here also.

Evidencing this change are larger, more efficient farms now appearing on the landscape, a strong interest in importing breeding cattle and grains to build up the livestock industry, and a desire among consumers for more of the luxury foods, less of the starchy staples.

Reasons behind this move toward modernization are the usual ones. With higher incomes, people can afford to eat more than fish and potatoes—traditional foods in Portugal. Better jobs in the cities draw more and more youth from the farm, forcing mechanization. And a burgeoning tourist trade brings with it not only expanded buying but also new ideas about living and eating.

Traditions and trends

Despite the stirring of agricultural change, Portugal is still largely a country of small farms with the traditional way dominating—though varying from section to section.

In the northern and the southernmost parts of the country, a typical farm will have one animal on a plot that is rarely in excess of 5 acres. The animal is expected to provide draft power, milk, and meat for the family as well as organic matter for the fields. The holdings are not only small in size, but often fragmented.

From the Tagus River in the center to the Algarve divide, properties are generally much larger—and often for good reason. Rainfall averages only 18-25 inches per year, is usually badly distributed, and the land is fairly well exhausted in many areas from the production of small grains'—principally wheat—for decades. Crop rotation, if practiced, is limited. Here, the density of both population and cattle numbers is much less than the average for Portugal.

The diet of most farmers, and city dwellers as well, has long been heavy on "bacalhau"—a codfish eaten with liberal amounts of olive oil and served with soup and large quantities of potatoes, bread, and Portuguese wine. The Portuguese's liking of fish, which has been generally plentiful and inexpensive in this Mediterranean country, puts him among the largest fish consumers in the world.

Today, however, the diet is being increasingly supplemented by other meats. Broiler consumption, though still at only about 5 pounds per capita per year, should rise sharply in coming years in response to a growing production. Per capita consumption of red meats is estimated at 17 pounds yearly for beef and veal, 22 for pork, and 4 for mutton for a total of about 43 pounds. Together with 70 pounds of fish, the grand total is close to 115 pounds.

Much of the increased share of red meat has come from imports, which in the first half of 1967 already exceeded the 12,000 tons averaged in recent past years. The rest of the meat is provided from a small but growing livestock industry, which has only about 1 million head (160,000 dairy) of cattle. Sheep numbers are estimated as over 5 million; swine, about 1.5 million; goats, 450,000; and burros, horses, and mules, 500,000.

Several important factors have been working, however, to change the above conditions and to increase income levels. Economic activity has been expanding at a favorable rate of about 6 percent (constant prices), with non-agricultural output rising appreciably in recent years.

Tourism ranks amont the factors behind this growth. Whereas tourist numbers totaled 500,000 in 1963, the total for 1966 was nearly 2 million, and 1967 is believed to have brought still another large increase. Net revenue from tourism and emigrants' remittances is estimated at about $210 million in 1966—an amount that helped cover Portugal's 1966 trade deficit of $406 million and contributed to a balance of payments surplus of some $140 million.

Emigration, likewise, is beginning to have some important consequences for Portugal's economy, as evidenced by the sizable increases in rural and city wage rates and the less abundant supply of labor, However, with an estimated 35 percent of the active population still employed in agriculture—which accounts for only 15 to 20 percent of the gross national product—the basic problem is still too many people on the farm. Productivity must be increased, along with mechanization.

The latter is difficult or impossible for many of the small, fragmented holdings, especially where geography is not favorable. To solve this problem, a major governmental decree aimed at increasing the pace of agricultural mechanization with special subsidies and improved credit was published recently.

More emphasis on agricultural development

In additon to these forces, agriculture has working on its side renewed government interest in its programs. Following three successive decreases in its agricultural appropriations, the Portuguese Government has boosted agricultural spending in its latest development plan (1968-73) to 12 percent ($510 million) of the total from 8 percent in the 3-year Intercalary Plan and 11 percent in the second plan.

Much of the money will go to development of Portugal's beef and milk production to satisfy the growing internal needs for these products. This continued past interest in livestock development, which has led to low-interest loans for farmers purchasing improved breeding stock, to improved prices received by beef producers, and to the setting up of regional technical committees for handling loan requests. Also, additional development funds have been made available through the country's Agricultural Improvements Fund and/or the National Supply Fund.

And just recently major legislation was enacted to provide an incentive to milk producers. As part of the new program, a milk supply committee was created; support prices were increased; and special subsidies were put into effect for firstborn dairy calves, for raising the calves to adulthood, and for increasing average herd production by 17 percent a year until a level of 3,000 liters per cow is achieved. Subsidies were also provided for production of forage crops.

While the programs outlined appear to have considerable merits, action of a sufficient scope to have a real impact had until recently been painfully slow in coming, with lack of funds

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Until just recently, Mr. Thomasson was U.S. Agricultural Attaché to Portugal.

the reason most often cited by the Portuguese.

The current year, however, has given every indication that the program is moving into a more active phase with the United States an important partner in this expansion.

Historic Hereford import

Following the visit of a special Portuguese trade mission to the United States last November, Portugal made its first sizable purchase of U.S. breeding cattle—161 Hereford heifers and 4 Holstein-Friesian heifers which went to a group of about 40 farmers in northern Portugal. Subsequently guarantees by Portugal's Secretary of Agriculture made possible the first U.S. participation in the country's national Agricultural Fair, with 3 bulls and 10 heifers each of the Horned Hereford and Holstein-Friesian breeds. Approximately 200,000 persons were estimated to have visited the U.S. Pavilion during the fair's 15 days.

Almost concurrently, the import representative for a group of about 60 of the leading farmers in central and southern Portugal concluded the historic single purchase of 1,300 beef cattle (mostly Herefords) from the Oklahoma-Texas area. This sale was coordinated by the Oklahoma Beef Institute after the buyer visited Virginia, Illinois, Texas, and Arizona.

Shipment was made from Baltimore in two boatloads with the first 593 animals arriving on June 7 and the second 550 on July 19. Both Portugal's Secretary of Agriculture and the American Ambassador were on hand to observe the arrival of the second shipment. TV film footage was made of the arrival and of typical farm conditions for showing in the United States.

The farmers and the government have been well pleased with the quality and performance of the U.S. breeding animals purchased to date, and it is expected that this mutually advantageous commerce will achieve even greater heights.

U.S. feedgrain and soybean market

An improved livestock economy usually demands increased utilization of feedstuffs, and Portugal does not seem to be an exception.

The sizes of the wheat and corn crops in recent years appear still to be mainly dependent on weather conditions, despite the rather sizable government subsidies. Wheat has been a growing import item, and the United States, normally a major supplier.

However, the last 2 years have witnessed the development of a large market for U.S. corn, grain sorghum, and soybean meal. In fact, these three commodities are well on their way to becoming our largest agricultural export items to Portugal, whereas in the past wheat, cotton, and tobacco had been dominant imports. Sales of the latter three have encountered mounting competition from third countries and from increased production in Portugal's own Overseas Provinces.

(Continued on page 8)

U.S. Beef Cattle "at Home" in Portugal

The 1,300 head of U.S. beef cattle imported by Portuguese farmers last summer (see opposite story) are adapting well to their new environment, according to Ford M. Milam, U.S. Agricultural Attaché to Portugal.

Mr. Milam, U.S. Ambassador to Portugal William Tappley Bennett Jr., and Francisco Boaventure—the man who arranged for the huge import—recently visited the farms of nine of these cattle purchasers who live in the Alentejo region of southern Portugal.

U.S. beef cattle (all Herefords) here totaled 250 head and were in top condition for the time of the year (it was the end of the dry season in Alentejo, where climate is quite similar to the Texas-Oklahoma area from which the cattle came). They had adapted well to their new rations—hay and wheat and bean straw with a minimum of concentrates—and produced 134 calves during their 5 months in Portugal.

The owners were pleased with the cattle and expressed the desire to purchase more. Seeming to bear out these favorable reactions was the shipment in late 1967 of an additional 608,000 head of U.S. herefords to Portugal.

Lower left, the Ambassador, Mr. Milam, and Mr. Bonaventura examine imported Hereford on the farm of Jouo Falcao. Right, an imported heifer and its calf.

If current plans to construct soybean processing facilities materialize, soybeans may soon become the No. 1 sales item to Portugal. The current impetus is coming mainly from the need for high protein meal by Portugal's rapidly expanding mixed feeds industry. However, unless the recent decline in annual olive oil production is halted, soybean oil, too, may soon be cherished as a plentiful source of relatively cheap edible oil for the mass consumers.

Tomato paste industry a major success

While imports of some agricultural items might be growing, Portugal's tomato paste export industry is, no doubt, its No. 1 agricultural success story at present. In recent years, acreage and production have been expanding at the phenomenal rate of close to 50 percent annually. About 90 percent or more of the production has generally been exported, and the value of last year's exports reached about $20 million.

The United Kingdom has been the major purchaser, but sales to the United States and Canada have recently moved up sharply, with U.S. imports during the past 11 months already totaling nearly $5 million. The industry appears confident that export sales will go much higher in the future and that favorable costs of production and excellent quality paste place them in a very good competitive position.

Portugal's other major agricultural exports to the United States are wines, fig paste, olives, and chickpeas. The largest earnings by far, however, come from cotton textiles, cork, and canned fish, along with Angolan coffee, Mozambique cashews, and the favorable flow of tourist receipts and emigrant remittances.

Trade between our two countries is expected to expand substantially in the future, and Portugal's gold and foreign exchange holdings of nearly $1.2 billion certainly indicate that the government's purchasing power is ample.

Mexico Moves To Eliminate Bean Surpluses

Mexico is taking steps to put its bean industry in order and to cut bean surpluses that have built up over the years.

A part of the country's agricultural plan for 1968, this campaign is being spearheaded by the Secretariat of Agriculture, the official agricultural banks, and the Secretariat of Hydraulic Resources, which controls the country's irrigation systems. The program includes cutting total bean output to a reasonable level and getting farmers to specialize in types of beans that are most acceptable in the marketplaces, especially the foreign markets. Among the types of beans now being stressed are Canario, Garbancillo, black, Bayo, white, Ojo de Cabra, Pinto, and American white beans.

At present, the beans produced in Mexico include a number of varieties for which there is no market outside Mexico. Since these are produced in surplus quantities and cannot be exported, stocks in the hands of CONASUPO (the national food supply agency) have continued to increase, totaling 300,000 metric tons in recent years.

Through its selective production program, the government hopes to reduce total production of dry beans to 925,000 tons in 1968 from the 1,008,000 of 1967. On the basis of a total national consumption estimated at 986,000 tons yearly and an export goal of 70,000 tons, Mexico would lack 131,000 tons of satisfying total bean requirements. The export goal is an increase from the annual average for 1962-66 of 35,000 tons, reflecting the expected gain in foreign markets as a result of the new program. If the goal is realized, Mexico should be able to work off a significant portion of its carryover stocks.

One reason behind Mexico's concern over the bean problem is that per capita consumption of the product is decreasing every year as more and more people reach income levels that permit consumption of other foods in place of beans. The population increase is currently sufficient to offset the per capita reduction, but it will probably not continue to be. Hence, the reason for beginning activities designed to reduce and specialize production. In addition, attempts are being made to increase per capita consumption, in 1968 anyway, to aid in working off some of the surpluses now held.

MEXICO'S BEAN PRODUCTION AND SUPPLY PLAN FOR 1968

Item	Unit	Quantity
Annual consumption:		
Per capita:		
Average, 1962-66	Pounds	41.2
Projected, 1968-69	do.	45.2
Total national, 1968-69	Metric tons	986,000
Imports:		
Average, 1962-66	do.	4,441
Highest year, 1962-66	do.	8,856
Exports:		
Average, 1962-66	do.	34,556
Highest year, 1962-66	do.	102,141
1968 goal	do.	70,000
1968 production goal	do.	925,000
1968 acreage goal	Acres	4,789,000

IDB Loan to Mexico Announced

The Inter-American Development Bank (IDB) has announced approval of a $20-million loan to help Mexico provide credit for its small-scale farmers and ejidatarios throughout the country.

The loan, which was extended to Mexico's national credit agency, will help finance a $50-million farm credit program being carried out by the Special Agricultural Finance Fund, a trust fund of the Bank of Mexico. Also participating are private credit institutions and regional banks.

The resources devoted to the program, which will be carried out over a 3-year period, are expected to meet the credit needs of about 25,000 farmers. Assuming the average small Mexican farm contains about 25 acres, the program would benefit an area of about 625,000 acres.

In the program, emphasis will be placed on activities which increase or improve productive capacity and efficiency of farm and livestock operations. The highest credit that can be expended under the program is $20,000, and the total income of beneficiaries may not exceed $8,000 a year. A reasonable portion of the credits must be channeled to areas in which IDB has made loans to improve irrigation facilities.

In recent years, the Mexican Government has pushed agricultural improvements, including large-scale irrigation projects, use of hybrid corn, and expanded credit.

Koma stores set up a special press conference before the promotion got underway to familiarize media representatives with the U.S. products. Right, table set with American foods for the press luncheon; far right, U.S. and Koma agents meet with reporters.

Banners Fly for American Foods in Germany's Koma

Nine days of intensive point-of-sale promotion for U.S. foods drew shoppers and rang up sales in Germany's Koma retail food chain. The successful November campaign is likely to assure good future sales of U.S. products for Koma and the American exporters supplying the goods. The more than 1,000 stores taking part—most in the Wuppertal area, in the heart of the Ruhr industrial belt—together sold about $250,000 in U.S. foods during the campaign.

For the promotion, Koma retailers dressed windows with American flags, banners and red-white-and-blue posters, displayed product cards, and set up demonstrations inside offering food samples and shopping bags. Some 200 color posters originally designed and used at the ANUGA trade fair at Cologne last September were displayed by large markets and cash-and-carry warehouse outlets.

New products offered by Koma during the campaign—and already on order for expected repeat purchases—included frozen turkey rolls and hindquarters and new sizes and types of canned pineapple, sliced and halved peaches, fruit cocktail, rice, and asparagus. Also new were bottled lemon juice, raisin and nut mixtures, and soybean oil. Already popular U.S. raisins, prunes, lentils, chicken drumsticks, wax beans, and whole turkeys and turkey thighs registered good sales as well.

Area newspaper reporters attended a pre-promotion press conference, resulting in good media coverage while the promotion was on.

This was the fourth 1967 in-store promotion in Germany which FAS helped sponsor. Others included the April campaign of VeGe-Ruhr Central, in Essen, a group of about 650 stores; the September promotion of Ratio-Markt, a wholesale cash-and-carry company in Bochum, Muenster, and Hanover; and the November campaign of Kolonial-Import's VIVO chain.

German stores with campaigns coming up in 1968 are the southern branch of Koma, Edeka (in Lower Saxony), VeGe (a repeat in Essen), Stuessgen (Cologne), Latshca (Frankfurt), certain department stores with large retail grocery sections, and other regional retail food chains.

Alexander Bernitz,
Assistant U.S. Agricultural Attaché
Bonn

Top, product card placed at counter stocked with frozen, ready-to-cook U.S. turkey parts. Above, cards identifying U.S. products on shelves. Left, front of a Koma store decked out in banners, flags, and large USA posters printed for ANUGA and in-store advertising.

CROPS AND MARKETS SHORTS

Weekly Report on Rotterdam Grain Prices

During the period ending January 10, 1968, virtually all offers of wheat in Rotterdam declined with both U.S. Hard Winter and U.S. Spring being off 2 cents, while U.S. Soft Red and Canadian remained the same. USSR grain dropped 5 cents, and Argentine, 3 cents.

U.S. corn offers were up 1 cent per bushel, while Argentine corn remained the same. South African was again offered, at 4 cents below the last offers on December 27.

Item	Week ending Jan. 10	Week ending Jan. 3	A year ago
	Dol. per bu.	*Dol. per bu*	*Dol. per bu.*
Wheat:			
Canadian No. 2 Manitoba	2.07	2.07	2.28
USSR 121	1.95	2.00	(1)
U.S. No. 2 Dark Northern Spring, 14 percent	1.93	1.95	2.06
U.S. No. 2 Hard Winter, 12 percent	1.81	1.83	1.91
Argentine	1.77	1.80	1.93
U.S. No. 2 Soft Red Winter	1.73	1.73	1.88
Corn:			
U.S. No. 3 Yellow	1.41	1.40	1.61
Argentine Plate	2 1.60	2 1.60	1.82
So. Agrican White	1.45	1	1

1 Not quoted. 2 For March delivery, not quoted for February.
Note: All quotes are c.i.f. Rotterdam and for 30- to 60-day delivery.

Chile Buys Argentine Wheat

Chile will purchase 168,000 tons of Argentine wheat valued at $10 million during 1968 under a 3-year agreement signed on December 27, 1967. This will be the largest annual amount of Argentine wheat imported by Chile in over 10 years. During the past 6 years Chile has purchased Argentine wheat in only 3 years. Between 1961 and 1964, Chile did not import any Argentine wheat. In 1965 Chile imported 96,400 metric tons; in 1966, 3,000; and in 1967, probably around 110,000.

When announcing the recent purchase a spokesman for ECA (Empresa de Comercio Agrícola—the State purchasing agency) said that Chile is continuing talks with Australia for further purchases of wheat. In 1967, Chile purchased about 150,000 tons of Australian wheat, part of which was on barter terms.

During 1966 and 1967 Chile's imports of wheat were in the area of 450,000 tons, but prior to these 2 years, imports were generally in the area of 200,000 to 300,000.

Rice Crop To Exceed Previous Record

The world's 1967-68 rice crop is expected to surpass the previous record harvest of 1964-65 by 4 percent. Growers worldwide increased acreage and expect to harvest record yeilds per acre, owing to good weather and use of improved methods.

The 1967-68 (August-July) rough rice crop, excluding Communist Asia, is forecast at 179 million metric tons, up 10 percent from the reduced harvest of 1966-67. Acreage increases and record crops are expected for all continents.

Record harvests are forecast for three major producing and importing countries of Asia—India, Pakistan, and Japan. A record crop in the Philippine Republic is expected to make the Philippines self-sufficient in rice this year.

However, for Asia's exporting countries, conditions have been less favorable. A drought hindered Thailand's planting well into August. Then rains fell in time for widespread planting in principal rice areas, so the crop will be later than first expected. Harvest in Burma and Cambodia will exceed last year's reduced output but still be below the average.

A detailed table and analysis will be in the January issue of *World Agricultural Production and Trade: Statistical Report.*

WORLD PRODUCTION OF ROUGH RICE 1

Continent and country	1964-65	1965-66	1966-67 2	1967-68 2
	Million metric tons	*Million metric tons*	*Million metric tons*	*Million metric tons*
North America	4.27	4.56	4.96	5.27
South America	9.10	8.79	9.11	10.09
Western Europe	1.44	1.20	1.35	1.60
Eastern Europe	.15	.14	.18	.18
USSR	.47	.58	.71	.78
Africa	5.75	5.71	5.96	6.37
Asia	150.04	136.48	139.42	154.64
Asia, excluding India	91.43	90.45	92.42	94.64
Oceania	.16	.20	.24	.24
Total	171.38 3	157.66	161.93	179.17
Total, excluding India	112.77	111.63	114.93	119.17

1 Excluding Mainland China, North Korea, and North Vietnam. 2 Preliminary. 3 Revised.

Mexican Livestock Export Quotas

The Secretariat of Agriculture and Livestock in Mexico has announced an export quota for live cattle equal to a year earlier and a slightly higher quota for boneless beef for fiscal year 1967-68. The quota went into effect September 1, 1967.

The quota for cattle has been set at 601,000 head, unchanged from the previous season when 597,677 were actually exported. The cattle quota for boneless beef production that may be exported is 209,000 head, compared with a 196,500 head in 1966-67, when 132,464 were slaughtered for export.

Mexican exports of live cattle and beef are shipped almost entirely to the United States. The live cattle consist primarily of feeder cattle, which are fed out to slaughter weights in U.S. feedlots.

U.S. Exports of Soybeans and Products

Soybean exports in November amounted to 39.9 million bushels, or 700,000 less than the 40.6 million exported in November 1966. The decline was principally in exports to the EEC, reflecting smaller shipments to the Netherlands and West Germany. For September-November, the cumulative total was 80.0 million bushels, compared with 75.4 million the year before.

Exports of soybean oil reached 126.4 million pounds in November, compared with 65.9 million in 1966. Almost 70 percent of the soybean oil shipped in November went to India under the current Public Law 480 program. Cottonseed oil exports amounted to only 4.7 million pounds, with Venezuela

again the largest recipient. Combined exports of soybean and cottonseed oil for the October-November period totaled 223.9 million pounds—more than double last year's exports of 111.6 million.

November exports of soybean meal were 216,000 tons, compared with 235,100 a year earlier. Less soybean meal was taken by the EEC as a whole, although West Germany took an additional 35,900 tons. The United Kingdom, Poland, and Denmark also increased their purchases in November. Total cake and meal exports for October-November reached 479,500 tons, slightly more than those of a year ago. Linseed meal exports showed a gain of 5,500 tons.

U.S. EXPORTS OF SOYBEANS, EDIBLE OILS, OILCAKE AND MEAL

Item and destination	Unit	November		Sept.-November	
		1966[1]	1967[1]	1966-67[1]	1967-68[1]
SOYBEANS					
Belgium	Mil. bu.	1.5	1.7	2.5	3.3
France	do.	.3	.1	.4	.3
Germany, West	do.	5.4	4.7	9.3	10.3
Italy	do.	3.6	4.6	6.0	5.7
Netherlands	do.	6.8	5.6	10.2	13.0
Total EEC	do.	17.6	16.7	28.4	32.6
Japan	do.	9.1	9.1	19.3	18.9
Canada	do.	2.9	2.8	9.1	8.5
Spain	do.	2.4	3.1	5.8	6.1
Denmark	do.	2.8	2.7	4.2	4.3
Taiwan	do.	.2	.8	.5	2.5
Other	do.	5.6	4.7	8.1	7.1
Total	do.	40.6	39.9	75.4	80.0
Oil equivalent	Mil. lb.	446.2	438.2	828.1	878.1
Meal equivalent	1,000 tons	955.1	937.9	1,772.4	1,879.4
EDIBLE OILS		November		Oct.-November	
Soybean: [2]		1966[1]	1967[1]	1966-67[1]	1967-68[1]
India	Mil. lb.	4.4	87.8	7.8	100.3
Pakistan	do.	0	0	0	37.3
Israel	do.	2.9	8.2	5.8	16.4
Tunisia	do.	18.0	4.4	18.4	7.8
Canada	do.	3.3	4.6	6.1	6.3
Vietnam, South	do.	5.9	0	5.9	4.8
Panama	do.	1.4	1.7	2.9	3.5
Haiti	do.	.2	1.6	1.7	2.8
Hong Kong	do.	0	.4	0	2.7
Brazil	do.	.1	0	.5	2.7
Others	do.	29.7	17.7	50.3	28.2
Total	do.	65.9	126.4	99.4	212.8
Cottonseed: [2]					
Venezuela	do.	3.2	2.6	5.5	8.5
Canada	do.	.5	1.5	.8	1.6
Ecuador	do.	.1	.2	.1	.2
Others	do.	2.0	.4	5.8	.8
Total	do.	5.8	4.7	12.2	11.1
Total oils	do.	71.7	131.1	111.6	223.9
CAKES AND MEALS					
Soybean:					
Belgium	1,000 tons	18.2	5.5	33.3	29.6
France	do.	41.9	19.4	69.7	48.8
Germany, West	do.	50.7	86.6	86.1	121.8
Italy	do.	17.0	4.5	32.0	9.1
Netherlands	do.	31.4	23.2	54.6	62.3
Total EEC	do.	159.2	139.2	275.7	271.6
Canada	do.	31.5	19.4	51.6	40.4
United Kingdom	do.	12.0	17.8	26.6	26.7
Yugoslavia	do.	0	0	5.0	15.0
Poland	do.	0	9.8	0	13.8
Denmark	do.	8.0	8.6	14.9	12.1
Others	do.	24.4	21.2	39.8	33.6
Total	do.	235.1	216.0	413.6	413.2
Cottonseed	do.	.1	.1	4.3	.7
Linseed	do.	29.3	31.5	53.2	58.7
Total cakes and meals[4]	do.	266.1	250.2	473.4	479.5

Note: Countries indicated are ranked according to quantities taken in the current marketing year. [1] Preliminary. [2] Includes shipments under P.L. 480 as reported by Census. [4] Includes peanut cake and meal and small quantities of other cakes and meals.

Compiled from Census records.

Swiss Move To Increase Cheese Output

The Central Union of Swiss Milk Producers, in the face of a serious marketing problem for surplus butter, has called for maximum use of all production facilities for Emmental cheese during the winter of 1967-68.

Large stocks of Gruyere cheese forbid increased production of this type, but for Tilsit, Appenzell, and other Swiss cheese specialties, production is to be pushed to the maximum in order to have as little milk remaining as possible for use in butter. No direct measures are currently planned to restrict the increasing imports of foreign cheeses, but efforts are being made to improve the quality of the various Swiss cheeses in order to strengthen their position on the export markets.

Mexican Cotton Export Tax and Rebate

The Government of Mexico recently announced extension of the rebate of 1.42 U.S. cents per pound on the cotton export tax through the 1968 crop.

The estimated cotton production in Mexico in 1967-68 has been revised downward to about 2,050,000 bales (480 lb. net), compared with 2,250,000 produced a year earlier. Rain and low temperatures interfered with harvest and adversely affected yields in the Mexicali and northern Sonora areas of northern Mexico. Also, unfavorable weather earlier in the year reduced production substantially in the Tampico-Altamira area.

In other areas ginning in the Torreon, Delicias, and Juarez Valley areas is complete. Picking in the Altamira, Apatzingan, and Tapachula areas of the south, which began in December, is progressing satisfactorily with generally favorable weather; however, rain has slightly hampered harvest in the Tapachula area. Preparation for planting operations has begun in the western Sinaloa-Sonora area.

Canadian, West European, Italian, German, and Japanese spinners have taken an active interest in Mexican cotton for shipment later in 1968, with Japan as the leading customer. Domestic spinners also have been buying their forward requirements at rising prices. Importers have shown buying interest in the Apatzingan-Tapachula styles for February and later shipments.

Canadian Cigarette Output Rises

Canadian cigarette output during the first 9 months of 1967 totaled 33,856 million pieces, a gain of 2 percent from the 33,160 million produced in January-September 1966. Output for the 3 months ended September 1967, however, was a little below that for the corresponding quarter of 1966.

Leaf use by manufacturers during the first 9 months of 1967 totaled 105.5 million pounds, compared with 103.4 million for January-September 1966. Use of flue-cured tobacco amounted to 95.5 million pounds—up 2.4 percent from 93.3 million in the

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preceding year.

Stocks of unmanufactured tobacco on September 30, 1967, totaled 181.0 million pounds, compared with 159.9 million on September 30, 1966. Flue-cured stocks on September 30, 1967, totaled 160.3 million pounds—about 20 million more than a year earlier.

Iranian Dried Apricot Pack Revised

The Iranian dried apricot pack is now estimated at 5,000 short tons, almost 3 times the short 1966 pack of 1,700 but slightly less than half the 1961-65 average of 10,100. Heavy rainfall in Azerbaijan and frost damage in Damavand and Shahrud combined to produce the second consecutive short apricot pack.

Exports are expected to total 3,000 tons during the 1967-68 season, 76 percent above the 1966-67 season total of 1,700 but still considerably below average.

The wholesale price of dried apricots on the Tehran market during November and December 1967 was 22 U.S. cents per pound, converted at the official exchange rate. During the same months of 1966, wholesale prices were reportedly 27-29 U.S. cents per pound.

IRAN'S SUPPLY AND DISTRIBUTION OF DRIED APRICOTS

Item	1965-66	1966-67	Estimate 1967-68
	1,000 short tons	*1,000 short tons*	*1,000 short tons*
SUPPLY			
Beginning stocks (Sept. 23)	200	1,000	100
Production	8,800	1,700	5,000
Imports	---	---	---
Total supply	9,000	2,800	5,100
DISTRIBUTION			
Exports	6,600	1,700	3,000
Domestic disappearance	1,300	1,000	1,100
Ending stocks (Sept. 22)	1,100	100	1,000
Total distribution	9,000	2,800	5,100

Indian Sugarcane Acreage Down

The Indian Government recently released its first official estimate of sugarcane acreage for the 1967-68 agricultural year (July-June). The total area under sugarcane cultivation is estimated at 4.6 million acres, down 15.4 percent from an adjusted figure of 5.4 million acres in 1966-67.

The first estimate covers roughly 92 percent of the area finally harvested. Abundant monsoon rains in 1967-68 proved favorable for crop growth, and despite small acreage, total cane production in 1967-68 remained almost unchanged from the 1966-67 level. Acreage this year reflects increasing profitability of other crops, particularly grains. This profitability was accentuated by delays in adjusting cane prices.

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